

## **Internationalisation plan for Diter Ltd in the Dubai market area**

Damiana Hollmérus

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<b>Author</b> Damiana Hollmérus	
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<p>This thesis investigates the possibilities for a Finnish SME to start exporting dermatological devices into Dubai. It has been a continuously growing economy within the United Arab Emirates and is a potential market area for Finnish dermatological machines. There is demand for Finnish know-how especially in the health and technology sectors. Wellness and beauty industries are constantly growing in Dubai.</p> <p>The objective of this thesis was to create an internationalisation plan based on theoretical framework, market area research and company analysis. The theoretical framework consists of issues related to internationalisation and exporting from the point of view of a SME. The internationalisation plan was made by request of Diter as strategy for entering the market area.</p> <p>The plan was made to be as compact and direct as possible and to be a simple basis to form an entry strategy.</p> <p>The internationalisation plan was made using Microsoft PowerPoint 2016. The production is a specific and compact information source and strategy for Diter. The production took place in the end of 2017 and the beginning of 2018.</p> <p>The best way for Diter to enter the Dubai market area is to attend a trade fair and to recruit a local agent to represent the company for exporting to be successful. Another option is to try to find buyers directly by attending as an exhibitor in a trade fair.</p>	
<b>Keywords</b> Internationalisation, internationalisation plan, export, SME, Dubai, United Arab Emirates	

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# 1 Introduction

Finland has two main export destinations in the Middle East, Saudi Arabia and the United Arab Emirates. In the UAE, Dubai and Abu Dhabi attract a growing number of Finnish enterprises. There is demand for Finnish know-how especially in the health and technology sectors. The potential purchasing power and need for technological innovations has been a good reason for Finnish companies to scout the Middle Eastern market area. Dubai especially has been a continuously growing economy within the UAE and is a potential market area for Finnish dermatological machines since it is dependent on imports of high technology. (Tulli, Tuonti alkuperämaittain ja vienti määrämaittain 2017; Finnvera, Dubai thirsts for health and technology services)

Wellness and beauty industries are big business in Dubai, beauty salons and spas in general are very popular in the United Arab Emirates. Taking care of appearances and the increasing trend of health and wellness are important to consumers in the UAE, many visit salons on a weekly basis. The UAE was ranked seventh in the world in per capita spending on beauty care products, totaling 239 US dollars in 2016. (Passport, Personal Care Appliances in the United Arab Emirates, Country report December 2017; Euromonitor international, UAE per capita spend on beauty hits \$239 in 2016, TradeArabia July 2017)

The UAE is a popular tourist destination and is known for high-end accommodation and luxury offerings. Now the focus is on attracting tourists for lower budget lodging and at the same time continue to attract luxury seeking travellers with superior services in cosmetology and health and wellness tourism. The health sector is growing in the wake of health tourism. The high number of expatriates in the country means there are many professionals, who will continue to contribute to growth for beauty and personal care products. The demand for beauty and personal care products is expected to increase because of the growing awareness on health and wellness. (Passport, Flows in the United Arab Emirates, Country report October 2017)

Consumers are expecting to see rises in costs since in January 2018 a 5% VAT is introduced in the UAE. The market is currently challenging, which will lead consumers to become conservative in their spending. Consumers are likely to focus on buying value-driven, premium or high-quality beauty and personal care products and spend less on impulse purchases. (Passport, Beauty and Personal Care in the United Arab Emirates, Country report May 2017)

## 1.1 Background

The need for an internationalisation plan came from Diter having attended the Arab Health trade fair in Dubai as visitors in 2014 and 2016 alongside other Finnish wellness industry SME's. There seemed to be a demand for dermatological treatment machines and the market did not seem to be over saturated by similar products. The author of this thesis works in the company and has been a part of the potential internationalisation endeavor. What came clear after the visits to the trade fairs was the need for a clear strategy and a plan to help the company to decide if it is viable to consider entering this market area at the moment.

## 1.2 Diter Ltd

Diter is a Finnish designer and manufacturer of medical devices for physiotherapy and dermatology as well as isokinetic testing and training systems. Diter is the only Finnish manufacturer of these kind of devices and services. Besides manufacturing, Diter also imports treatment devices from France and Germany.

The company was founded by the Karsikas family in 1976 and it is located in Kaarina Finland. The name Diter comes from the Finnish words for diagnostics and therapy (Diagnos-tiikka and TERapia). Diter is owned by the Karsikas family and at the moment it employs nine people (Figure 1. organisation chart of Diter). Main operations such as manufacturing, maintenance, sales, financial management and physiotherapy and beauty services are located in Kaarina.

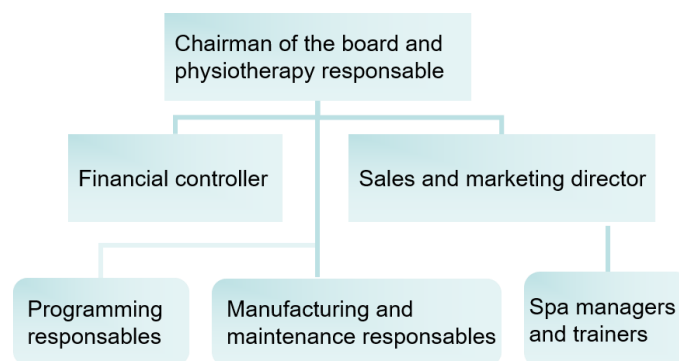


Figure 1. Organisation chart of Diter

Diter's product range for medical devices consists of different models of treatment machines that use ultrasound, electric currents, radiofrequency, soft laser, magnetic fields and vacuum pressure. There are a variety of machines that either utilize one treatment

form or a combination thereof. In Finland these machines can be found in hospitals, physiotherapy centers, beauty clinics and other health care offerors. The current catalogue on the dermatological device offering can be found in appendices (appendix 2).

On top of designing and manufacturing, Diter offers physiotherapy and beauty treatment care facilities in Kaarina and Helsinki. The company also handles the training for their clients to use the devices correctly and safely. The company's clientele consists mainly of physiotherapists and cosmetologists. There are many other health care professionals that also use this kind of equipment, such as doctors, nurses (clinics), dermatologists, orthopedists and so forth.

### **1.3 Thesis objectives**

The objective of the thesis is to create a strategy and a plan for internationalisation using a mix of theoretical information and detailed analyses of the target market and the company. The internationalisation plan is meant for a small to medium sized enterprise considering exporting endeavors and can be used as a base for entry strategies for other market areas than the target market in this plan.

The goal of the thesis is to find answers to the following questions:

- Is Dubai a viable target market for the export of Finnish dermatological devices for Diter?
- How should the company enter the Dubai market area?
- What needs to be taken into consideration when initiating internationalisation for a SME?
- What exporting outside the EU and specifically to the UAE requires?

These questions are looked into and answered in the thesis based on the research and information at hand at the moment of the making of the thesis. The internationalisation plan is meant to be a simple tool with only the essential information and a good over-all look on the issue. The author aims to make the plan to be suitable for the needs of the assigning company and to provide a realistic evaluation of the process.

The author's personal objective is to develop understanding in the internationalisation process and to gain experience in dealing with international business. The objectives are evaluated through self-assessment at the end of the thesis process.

## 1.4 Structure and focal points

The thesis follows the structural thesis model of Haaga-Helia. Chapter 1 introduces the background, assigning company and objectives of the thesis. Chapter 2 is the theoretical framework. It focuses on the process and choices of internationalisation from the point of view of a small to medium sized enterprise (SME). Chapter 3 delves into Dubai as the target market, Diter's current situation and its options to enter the market. The process of writing this internationalisation plan is looked into in chapter 4. The internationalisation plan, that is made with Microsoft PowerPoint 2016, can be found in appendices alongside with Diter's dermatological device catalogue.

The main concepts in this thesis are:

- **Internationalisation:** it means the act or process of bringing something under the control or protection of many nations; the act or process of making something international. (Oxford, learner's dictionaries)
- **Internationalisation plan:** it is a strategy for a company to enter a new foreign market area.
- **Export:** the definition of export is selling and sending goods or services to another country. (Oxford, learner's dictionaries)
- **SME:** it is an acronym for a small to medium sized enterprise, a company with no more than 500 employees (Oxford dictionaries)

## 2 Internationalisation for SME's

In this chapter the concept of internationalisation for small to medium sized businesses is looked into in the theoretical aspect. SME's can be successful in global markets if they find their place and understand how to internationalise. In order to be successful in export operations the company needs to have a good understanding of the basics of internationalisation and global markets. (Kananen 2011, 7-9)

SME's have a significant role as employers and they contribute greatly to Finland's economy. Finnish export is often overtaken by big companies leaving the smaller ones overshadowed. Since many SME's lack in economic and intellectual resources to extend their sales and marketing operations globally, they often remain in the domestic market. (Kananen 2011, 7)

### 2.1 Reasons for internationalisation

There are many reasons for an SME to want to start to enter new global market areas. It can be the need to seek growth outside its country of origin or a simple foreign impulse, a potential interested buyer willing to buy the company's product. Often a company will consider internationalisation for a long time before deciding to start the process. There is usually a need to enter a new foreign market and the reason depends on the developmental cycle of the company. (Kananen 2011, 11)

Table 1. Dilemma of growth (Kananen 2011)

	Current market	New Market
New products	Product development (3)	Product development for international markets (4)
Current products	Sales promotion (1)	Internationalisation (2)

Internationalisation can be done by exporting products or by export activities. Export and import operations are very similar, mirror images of each other. Export is often a logical way to expand the company's operations since if the product is successful in its domestic market, it is likely to have potential for success in another foreign market area. A company can specialize in a narrow, highly specialized niche market that might be too narrow for big, international companies but big enough for an SME to make profit. Since operating in



a niche market is often not the most profitable business, the market area inevitably becomes global from the get go. (Kananen 2011, 11-12)

Products have their individual life cycles that vary from a few months to years depending on the product. Usually a product has a life cycle that is limited after which the sales demand comes to an end. The product can be modified to attract new customers or the company can try to develop new distribution solutions in the existing domestic market. If these are not viable options, including trying to promote sales for the product, the answer is often to start exporting the product to new market areas. (Kananen 2011, 12-13)

Finnish market size is limited since the population is around 5,5 million. This can create problems for companies trying to sell their products that are for a specific purpose or are meant for a niche market. The specialisation of a product can also be a good thing if the market area is bigger. Then it is easier for the company to be able to compete in a global market. (Kananen 2011, 15-16)

Another reason for a SME to seek to enter foreign markets is to reduce the risks of business due to having a larger market area to operate in. In global markets, changes take place with a delay based on a cyclic model. Economic ups and downs follow periodic and regional models of the economy imitating the regional spread of innovation processes. If a company operates in markets that are in different phases of operation it can mitigate the risks. Extending the company's operations abroad has the tendency to give new ideas and understanding for the direction that the market development is heading to. The company gets a better understanding of the range of products available in global markets and the companies that operate in them. (Kananen 2011, 17)

## **2.2 Export analyses**

Before a company is ready to start export processes it should be taken in to careful evaluation whether the company is ready to start this process. This can be done through careful analysing that will help to decide whether it is viable or not. Operating in the global market imposes certain expectations for the company. What should be taken in to consideration is delivery capability, products, preparedness for product development and customisation, financing, staffing and appropriate planning. This readiness to start the export process can be analysed with an export readiness test. (Kananen 2011, 24)

## **Export readiness test**

### **Delivery capacity**

It is very important that a company is able to deliver what is ordered by a new client. A company can struggle to be able to answer to the demand of a new client, if it is not prepared to consider the need to grow its delivery capacity. In a normal situation a company will not have idle delivery capacity needed to meet a potential order. It is even risky to build additional capacity without an order from a client. Instead the company should try to ensure its delivery capacity by other means, for instance through networking or sub-contracting. Reliability of delivery is one of the most important prerequisites for export, if not handled well it can mean the loss of sales in long term both in the foreign and domestic market. That is why the capacity for a foreign market should not be transferred from the domestic market. Many SME's can be overwhelmed by the volumes of the consignments required by a potential buyer. If a product cannot be delivered due to demand, a market can be lost for a long time. (Kananen 2011, 24-25)

### **Product** (product, preparedness for product development and product customisation)

The products the company intends to sell in a foreign market should be of high quality and if possible, be quality certified to guarantee the quality. The quality of the product determines whether the company has any chances to operate in a market. Eventually the only way to stay in an international competed market is to develop new products. New clients often want the product to be customised or changed to suit their needs. A product should be able to be modified depending on the culture and customs of the target market. Some changes can alter the product too much and that can lead to problems. Therefore this process of modification should be carefully thought out before the changes are made. Some products will not need any changes to be able to be sold in different markets, but the company should be prepared to be able to make the changes if it is required in the future. (Kananen 2011, 25-26)

### **Financing**

When a company enters an international market, it should be considered as a financial investment that will only come to fruition after a few years. The process of internationalisation requires financial inputs that will only start to be profitable after a while. A company needs to have sufficient financial resources to start exporting for it to be profitable. The need for finances is determined by how exporting will be started and which mode of operation will be chosen. (Kananen 2011, 26)

### **Human resources**

Exporting requires special know-how such as language skills and knowledge of export techniques. These include issues related to customs procedures, transport and forwarding. These services can be bought from an external forwarding agent or a domestic company specialised in export. A company can export without personnel with knowledge of export techniques or language skills. This is possible if the company outsources the personnel responsible for the export activities. Another option is to hire qualified personnel or to manage these aspects internally with appropriate expertise. (Kananen 2011, 26-27)

### **Strategic planning**

A company willing to start export measures should follow a strategic plan and that the strategy would be then linked to other business activities of the company. Both staff and management must be committed to export for it to be successful. Without proper planning a SME is likely to be overwhelmed by all the different aspects of entering a new global market and the results of failure can be devastating. Export should not happen at the expense of the operation in the domestic market. Therefore, a well thought out plan is the best bet. (Kananen 2011, 27)

### **Market specific analyses**

Using existing information, surveys statistics and different publications, a company can conduct a desktop research to help determine the feasibility of the export endeavour. On top of the research done at home, a visit to the target country is a simple and inexpensive way to get a good view of the target market. (Kananen 2011, 41-43)

### **Target market analysis**

Before choosing a target market for exporting, it is important to make sure that the target country has the sufficient purchasing power and customers. What is analysed is the purchasing power, price level and possible other factors. (Kananen 2011, 29)

To determine the amount of purchasing power is an important and decisive factor as it demonstrates if there are enough buyers for the product in the target market and if exporting will be profitable. Sufficient number of customers and their disposable incomes in the product category in question provide the basis for all operations abroad. The feasibility of entering a market is determined by the general price level of that country. An established price level of similar products helps to determine the appropriate price for the export product. If the price level is high enough, selling the product is going to be cost-effective. Even

though important, price is not always a key element in the market. A product, when exported, can be put to a higher price category as it can be deemed as a quality product with real or imaginary benefits and characteristics compared to the existing products in the market. If marketed correctly, the customers for different types of products in different price levels can be attained. If a certain product category is already represented in the market, the annual sales potential can be estimated by using various statistical data. For a new product in the market, that kind of an assessment is more difficult. (Kananen 2011, 29-30)

The purchasing customs and habits of consumers follow the economic development cycle, since it is the economy that generates the prosperity and purchasing power being channelled into consumption. Therefore, the purchasing power of the target country in question should be analysed by its current economic situation and predictions can be made based on what stage of the cycle the country is currently in. (Kananen 2011, 34)

The competitive situation in the target market can be looked into by the entrepreneur or the company's employer personally by conducting an analysis in the country of interest or to have an external supplier carry out a minor market survey. Market data should be collected continuously in order to have valid data that is not outdated. (Kananen 2011, 35-36)

### **Distribution system analysis**

This analysis examines how potential customers can purchase products in the target market. A market may seem promising with enough sufficient amount of purchasing power and not much competition. Problems may rise from the structure of the distribution system if it does not allow the delivery of a product to the customer using the channels that are available. The distribution system in the target market can be overwhelmed by competitor's products or owned by the competitors. (Kananen 2011, 39-40)

### **Operational analysis**

The product being exported can be sent to the target market, where the distribution system can be reached by a domestic intermediary in Finland, a middleman in the target country or some other solution or a combination thereof. The company will decide whether to use an export agent, import agent, an export or an import business or some other middleman. The mode of operation is chosen based on the export company, product and target market. The size of the company and how experienced it is as an exporter have an impact on the solution. Sometimes a company can not choose from different options for an

operation mode but instead has to choose to use the only solution available. (Kananen 2011, 40-41)

### **2.3 Operation modes**

Operation mode means the stage in a distribution system when a product is imported into the target country. Operation modes in internationalisation can be classified into three different categories; export, contractual modes of operation and investments. (Kananen 2011, 44)

When choosing an operation mode, it should be understood that for a product to reach the end user in the target market, there may be a need to set certain criteria specific to the target country. The criteria can relate to the distribution systems or middlemen in the target country. This need for specification can be seen in some Arab countries, where export may be practically impossible unless certain importers or agents are used and paid a commission for the services provided. (Kananen 2011, 93)

#### **Export**

Export operations refer to exporting domestic products to a target country by means of different operation and distribution systems. These include own export, direct export and indirect export. This mode of operation will be looked into in chapter 2.4. (Kananen 2011, 45)

#### **Contractual modes of operation**

Under contractual modes of operation, a product is not manufactured domestically. Production is outsourced to a foreign manufacturer by means of licensing, franchising, contractual manufacturing or subcontracting. (Kananen 2011, 45)

#### **Investments**

Investing means transferring your own production to a foreign country. The modes of operation may include establishing an own enterprise, acquisition of an existing business or a joint venture. (Kananen 2011, 45)

## **2.4 Export**

### **Own export**

There are no external middlemen in own export, the exporter takes care of all the exporting activities in the home country and the target country alike, and also often covers transportation and customs clearance. The distribution chain of an export firm may include middlemen of its own in the target country such as a sales unit, a wholesaler or a manufacturer. The exporter can be in direct contact with the end customers and thus it is easy to monitor the exporting and to get instant feedback. In the early stages of exporting the products can be sold and delivered directly to the buyer in which case the best mode of payment is the irrevocable confirmed letter of credit. (Kananen 2011, 45-46, 63)

The challenges for this method of exporting are having to have a permanent presence in the target market which can be very costly due to having personnel only concentrating in international operations. For own export to be successful, a good knowledge of the target market and marketing as well as command of export techniques and personnel with export skills is a must. Own exporting is a good choice for special products and products tailored to the customers' needs. (Kananen 2011, 45-46, 63)

### **Direct export**

This export method happens when a manufacturer or exporter sells directly to an importer in a foreign market area. The middleman can be an agent, an importer (distributor), or an import firm. The middleman takes care of the sales and marketing to the end users or distribution systems. The number of customer contact is reduced to one as opposed to many customers in own exporting. There might not be any contact with the potential buyers since there is a middleman dealing directly with them, this depending on the nature of the contract entered into between the exporter and the middleman. The exporter saves in costs since there are fewer contacts. Even though there are cost savings in contacting the end customers, using a middleman in itself can be very costly. The knowledge of the target market and the rate of internationalisation of the exporter grows in direct exporting, not as much as in own exporting but more than in indirect exporting. (Hollensen 2017, 372; Kananen 2011, 46-47)

## Indirect export

In this method of export, the exporting manufacturer uses independent organisations located in the manufacturers home country. These middlemen can be export firms or agents (export or trading houses). The sale is like a domestic sale and in reality, the company is not really engaging in global marketing because its products are being transported abroad by others. Indirect export is probably best suited for a company that has limited internationalisation skills, minimal resources to devote to international expansion or wants to test out markets before committing major resources and effort. (Hollensen 2017, 368; Kananen 2011, 47-48)

Indirect export can include different forms of co-operation between companies such as export rings, networks and associations. The company willing to export its products has little to no control over the way the product or service is marketed in the target country. The company also establishes little to no contact with the target market. This leads to the company having limited information about the market's potential and obtains small input to develop a plan for international expansion. Indirect export naturally prevents export operations from branching out. This method is a good option if the company does not have the opportunity or does not want to make considerable investments to explore export options. A SME that is already experienced in traditional exporting may have limited resources to open up a great number of export markets by itself, but through indirect export it can utilise the resources of other experienced exporters and to expand its business to many countries. (Hollensen 2017, 368; Kananen 2011, 47-48)

Table 2. Comparison of operation modes (Kananen 2011, 49)

Characteristic	Indirect export	Direct export	Own export	Special operations		Investments
	Goods export	Goods export	Sales company	Know how	Licensing	Own production
Economic commitment	-	+	++	+	-	+++
Management commitment	-	+	++	++	+	+++
Market control	-	+	+++	++	+	+++
Economic risk	-	+	++	+	+	+++
Political risk	-	+	++	+	-	+++

## **Import agent**

Import agents work in the target countries and preferably in the target area. They are familiar with the local markets, customs, conventions and distribution networks. If there is a possibility to choose, a good agent should have a complete sales organisation and a network of customers. Using an agent is a good way to enter the new market and if the target market turns out to be profitable and enable growth, the exporter can turn to other modes of operation. The agent can be given the power to close deals on their own or only with the approval of the exporter. The agent can also choose to accept a contract where they bare all the risks involved with the transactions. (Hollensen 2017, 372; Kananen 2011, 50-55)

The agent can be exclusive (the agent has exclusive rights to specific market areas), semi-exclusive (the agent handles the exporter's goods along with other non-competing goods from other companies) or non-exclusive (the agent handles a variety of goods that may include goods of the competitors). (Hollensen 2017, 372; Kananen 2011, 50-55)

An agent is an affordable middleman since they live on commissions generated by the sales and will not tie up the exporters resources. Since the commissions are solely based on sales volumes, the exporter does not have any fixed costs for the agent. The amount of commission depends on the services being performed, the market's size and importance, the risks involved, the product being sold, the amounts its being sold in and competition among exporters and agents. The basis of paying commission should be clear for both parties right from the beginning of the contract. Since agents usually have a lot of freedom in their jobs, a background check should be done thoroughly before entering into a contract. (Hollensen 2017, 372; Kananen 2011, 50-55)

## **Export agent**

The difference between the import and export agent is that the export agent operates from the exporter's home country. The agent can be an organisation or an individual agent. The agent can be a retailer that operates like an import or export business, a trading house or an importer. Using this type of middleman is suitable for small companies that lack in the knowledge and skills in importing. (Kananen 2011, 56)

## **Retailer**



A retailer enters into a contract of agency with a foreign or domestic organisation for product sales. They will market the products on their own behalf to foreign clients. The customer risk is transported from the exporter to the retailer. There are still risks for the exporter in possibly having to grant the foreign retailer credit. Trading the goods takes place between the retailer and the middlemen or clients in the target country. The exporter only does business with one unit in the target country (the retailer, never directly with the end customers). An effective distributor agreement requires exclusive sales rights that gives the middleman the chance to sell effectively and in peace. A retailer buys products from the exporter and then sells them to their own clients. The sales price is often decided by the retailer. A retailer operates like an export or import business, a trading house or an importer. All these forms are judicially equal. An export house operates in the exporter's country and a retailer or trading house usually in the target market. (Kananen 2011, 56-62)

Table 3. Influence of various factors on the distribution solution (Kananen 2011, 84)

Speed of market entry	Extent of control	Risk	Impact of border barriers
Own export	Own production plant	Indirect export	Licensing
Direct export	Acquisition of a production plant	Direct export	Contractual manufacturing
Indirect export	Own sales office	Own export	Own sales office
Licensing	Joint venture	Joint venture	Acquisition of a production plant
Contractual manufacturing	Own export	Licensing	Joint venture
Own sales office	Direct export	Contractual manufacturing	Own production
Acquisition of a production plant	Indirect export	Own sales office	Own export
Joint venture	Contractual manufacturing	Acquisition of a production plant	Direct export
Own production plant	Licensing	Own production plant	Indirect export

## **2.5 Strategies for global markets**

### **Product strategy**

When entering a new market, the decision of accessing international markets with one product or a modification of the product comes to question. It is important to decide what parts should be standardised and what parts should be adapted to the local environment. Some products are fully global meaning they are suitable for all markets. The export product has to meet the quality and other criteria of the target country. Factors that should be taken into consideration when exporting a product to a new market area are tariffs, weather conditions, culture and language differences. The product needs to suit the tastes of the customers in the target market and it should have a name that is suitable for that market. (Hollensen 2017, 548; Kananen 2011, 97-99)

### **Price strategy**

Pricing the product should be thought out well since it is influenced by both internal and external factors that might be hard to predict. Minimum price is the starting point for pricing since price is always determined by fixed costs and variables, the price has to at least cover these. In international trade, currency risks and longer payment periods have to be considered. The strategy chosen can be the same as with domestic market, skimming (make the most profit in a short time), market price (if there are already similar products on the market) or low price (the need to acquire market shares in a short time). What should be taken into consideration in setting the price is cost, competitor's prices, product image, market share/volume, stage in product life cycle and numbers of products involved. Other factors that affect the price are VAT or other taxes, tariffs, customs duty, packaging costs, marketing costs, transporting costs, insurances and commissions. (Hollensen 2017, 590; Kananen 2011, 101-104)

### **Marketing strategy**

Marketing decisions for the target market depend on the choice on the mode of operation and in the choice of a middleman. It is also necessary to differentiate whether marketing is intended for seeking potential middlemen in the target country or marketing directly to the end customers. The exporter can either be responsible for the all the marketing efforts,

provide some assistance in marketing (e.g. providing marketing material) or not be involved in marketing in the target market at all. The same factors are included in marketing strategy as for domestic marketing. (Hollensen 2017, 670; Kananen 2011, 105-109)

The product being sold also affects the marketing strategy, consumer goods and industrial products are marketed very differently. SME's can rarely afford to market in the target countries so this is an obvious limitation in the marketing methods available. Marketing can be advertising, public relations (press releases, sponsoring, influencing opinion leaders) or sales promotion (including trade fairs and exhibitions), direct marketing, personal selling or social media marketing. (Hollensen 2017, 670; Kananen 2011, 105-109)

Trade fairs and exhibitions can be a part of sales promotion or personal selling. This depends on whether the company in question is participating to promote brand image, to acquire contacts or to sell directly to buyers and/or agents. Trade fairs are a good way to find middlemen and distribution chains in the target country. The costs of participation in trade fairs are often reasonable for a SME. Participating in a trade fair can give the exporter a cross-sectional view of the products available in the market, the participants in the market and the direction the market is heading to. Trade fairs can also be considered as a method of market research. At a trade fair, a SME can reach a great number of potential customers by employing only a few salespersons. Still, participation requires money, time and investment. Good planning will help to make sure this method of marketing provides profit in the future. (Hollensen 2017, 670; Kananen 2011, 105-109)

### **3 Internationalisation to Dubai**

To determine the viability of Dubai as a market area, a market specific analysis and an export readiness test are conducted to help determine the best strategy for Diter in its current situation. The market specific analysis consists of a target market analysis, a distribution analysis and an operation analysis. The target market analysis is conducted by using the PESTLE analysis. The export readiness test investigates delivery capacity, the product/products, financing and strategic planning. To further help determine the market area and the prerequisite for Diter's export endeavours, possible risks are analysed and a SWOT analysis is conducted. In conclusion the constitution of the internationalisation plan and the process of making it is explained. The internationalisation plan consists of the information in chapters 3.1-3.9 and is done in Microsoft PowerPoint 2016 format as requested by the assigning company.

#### **3.1 Market area analysis**

##### **Political analysis**

The United Arab Emirates is a federation of seven emirates, Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Ras al-Khaimah and Umm al-Quwain. Political power is concentrated in Abu Dhabi, that controls the vast majority of the UAE's economic and resource wealth. The two largest emirates, Abu Dhabi and Dubai, provide over 80% of the UAE's income. The Federal Supreme Council is composed of the seven emirate rulers. The Federal National Council, which consists of 20 members appointed by the emirate rulers and 20 members elected by indirect vote through local councils, has no legislative powers. The president is elected by the Federal Supreme Council. (Passport, United Arab Emirates country profile, January 2018)

The royal families in the seven Emirates are under pressure to cede more of their powers to the private sector. Growing unrest in the Arab states prompted the government to pledge to invest more than 1.5 billion US dollars in utilities infrastructure in the poorer members of the federation. All the emirates are concerned about the high percentage of foreign workers residing in the UAE and are trying to reduce this number. Despite their efforts, immigrants continue to flock to the Emirates. (Passport, United Arab Emirates country profile, January 2018)

The UAE is a key member of the Saudi-led group opposing Qatar. The group accuses Doha of supporting terrorism and backing Iran's regional agenda. Saudi Arabia and the UAE have also established an economic and military partnership in an attempt to further isolate Qatar. The UAE and Iran dispute the ownership of three islands which are strategically located in the Strait of Hormuz. Iran's goal of becoming a nuclear power also affects the UAE. The Emirates fear that they may be the first point of an attack by Iran. The UAE is hosting about 150 000 refugees mainly from Yemen and Syria. The UAE has a military presence in Yemen as well. Al-Qaeda has repeatedly threatened attacks on western businesses in the country. Increasingly alarmed by Iran's growing military prowess, the government of the UAE is spending 35 billion US dollars to modernise its own military. (Passport, United Arab Emirates country profile, January 2018)

The UAE is regarded as having one of the most liberal business environments in the Middle East. In January 2018 the UAE implemented a GCC-wide 5% value added tax. An increase in excise taxes and the introduction of a corporate tax are also under consideration. New bankruptcy and investment laws have been prepared and should have a potential positive impact on investment. Most significant government decisions are taken by the emirates' ruling families and not the government itself. (Passport, United Arab Emirates country profile, January 2018)

After decades of restrictions, the UAE intends to open some areas in the service sector to foreign investment. Foreign businesses are already allowed to own 49% of most businesses but some industries are capped at lower shares. The UAE has no income tax and no federal-level corporate tax. There are different corporate tax rates for certain activities in some emirates. The overall tax burden is relatively low. (Passport, United Arab Emirates country profile, January 2018)

### **Economic analysis**

The government derives 65% of its revenues from oil sales. The real value of tourist receipts rose by 3,5% in 2017 and growth of 4,1% is forecast for 2018. Expo 2020 is expected to draw in many visitors. Credit growth to the private sector has slowed as banks increase provisioning against potential loan losses. Although banks remained well capitalised, most are increasingly unwilling to lend to SMEs. The standard of living in the UAE is one of the highest in the world. A liberal, business friendly and market-oriented growth

strategy has reshaped the economy. The non-oil sector steadily expanded as diversification of the economy has proceeded. (Passport, United Arab Emirates country profile January 2018)

Real GDP grew by 3% in 2016 and 1,3% in 2017. Dubai's diversification efforts have been side-tracked by problems in the financial industry and the real estate market but both sectors now appear to be on the way to recovery. Dubai contributes a quarter of the country's GDP and functions as the commercial platform of the UAE, especially with its well-developed port and airport infrastructure. As the UAE's economy has developed into a major services hub in the Middle East, its dependency on oil exports has declined. (Passport, United Arab Emirates country profile January 2018)

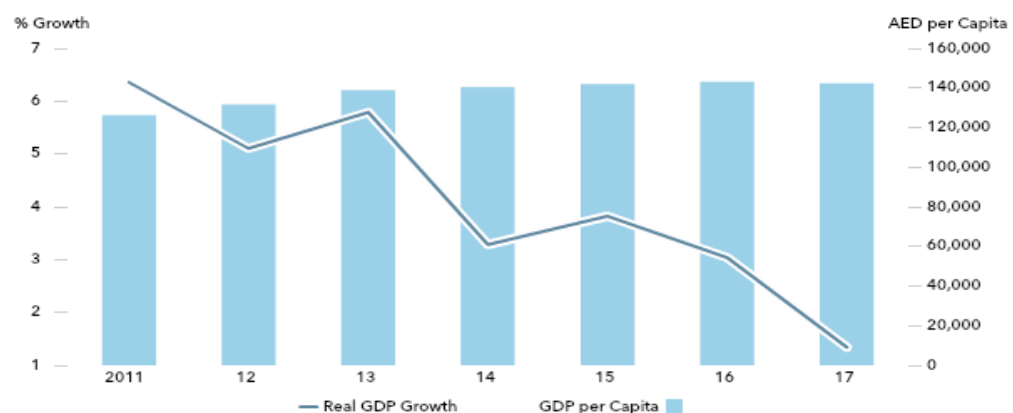


Figure 2. Real GDP Growth and Per Capita GDP: 2011-2017 (Euromonitor international)

The UAE's public debt in 2017 was 282 587 AED, equivalent to 20,7% of GDP. In 2017, the real value of public debt rose by 6,6%. Dubai has 85 billion US dollars of debt due for repayment by 2018. The UAE is especially dependent on exports. In 2017, exports amounted to 73,3% of GDP. Such a high export-to-GDP ratio is since the UAE acts as a re-export hub for other countries in the region. Exports rose by 4,5% in 2017. A strong domestic currency is a constraint. (Passport, United Arab Emirates country profile January 2018)

The economy is estimated to pick up in 2018. A rise in oil prices, an improvement in exports and a rise in investment associated with the Dubai 2020 World Expo will be the main drivers. Growth of the non-oil sector should exceed 3% in 2018. Growth will improve but remain below trend in the future. Real GDP will be growing by about 3,1% per year in 2025. (Passport, United Arab Emirates country profile January 2018)

## Social analysis

The United Arab Emirates has had a huge increase in its population in the past decades and it continues to rise at a fast pace. In 2017 the total number was 9,1 million, up from just 3 million in 2000. Median age in 2017 was estimated to be 33,4 years. Foreign citizens make up around 80% of total population and are mainly responsible for the rapid growth. Almost all immigrants are young or middle-aged adults and their presence ensures a relatively high median age. In addition, immigration has led to an imbalance between the male and female populations, there are two men for every woman in the UAE. (Passport, United Arab Emirates country profile January 2018)

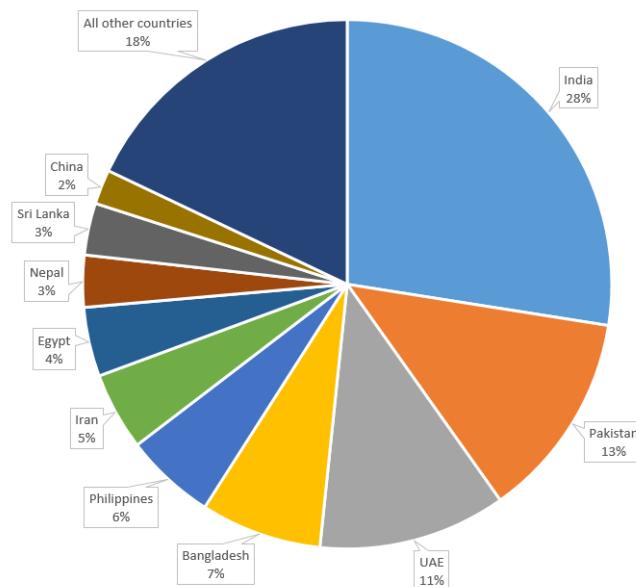


Figure 3. UAE Population by Nationality 2016 (AbuDhabi2)

Globalisation is gradually resulting in a mix of many different cultures within the Emirates. Nevertheless, religion is an important matter in the area, which greatly affects society. Although Dubai is considered relatively liberal by regional standards, it is very important that foreign visitors respect religious and social customs as well as legal requirements. The Islamic dress code is not enforced although many Emirati men wear a kandura (ankle-length white shirt) and most Emirati women wear an abaya (black over-garment). Differences are tolerated but being respectful is crucial. With 80% of inhabitants being from overseas, business tends to be conducted in English, although Arabic may be spoken in the public sector. During the holy month of Ramadan, Muslim are not allowed to eat or drink anything during daylight hours. (Chamber international, Top tips for exporting to Dubai)

The working week is Sunday to Thursday from 9am until 5pm for the private sector and Saturday to Wednesday from 8am to 2:30pm for the public sector. Patience is a key element when dealing with commercial organisations and especially when it comes to government contracts. Strong business relationships (known as the Wasta system) are also crucial. In this environment it is essential to protect your reputation at all costs. Mixing business with pleasure is a well-established practice and meetings can go on until the early hours. Establishing solid relationships with customers in Dubai is vital since one deal tends to lead to another. It is advisable to check in advance that planned meetings are still going to take place. Face to face meetings are important when doing business and are viewed as much more respectful and personal than phone calls and emails. (Chamber international, Top tips for exporting to Dubai)

### **Technological analysis**

Manufacturing employs 8,8% of the workforce and accounts for 10,2% of GDP but the government aims to raise this share to 25% by 2025. The industries singled out to drive this expansion are petrochemicals, automobile parts, shipbuilding, aviation and energy-based activities. Several large aluminium projects are nearing completion. The biggest is a 5,6 billion US dollars aluminium smelter. Abu Dhabi, like Dubai, is also pursuing a diversification strategy that emphasises financial services, petrochemicals and renewable energy. The real value of gross manufacturing value added rose by 5,8% in 2017. (Passport, United Arab Emirates country report, January 2018)

The relatively young population is very tech-savvy, which allows companies all across the UAE to leverage technology. The wealth that this country possesses allows it to purchase new equipment and be in the forefront of technological assimilation.

### **Legal analysis**

Although the core principles of law in the UAE are drawn from Sharia, most legislation is comprised of a mix of Islamic and European concepts of civil law. In addition to specific legal legislation covering agencies, company law, labour law, and intellectual property, the UAE has enacted civil and commercial codes. Although the system has led to the development of comprehensive and structured legal systems, these are rigid and inflexible to some degree, and this constitutes the bureaucracy of regulation that is associated with



countries in the Middle East region. Each Emirate has its own federal court of first instance, although Dubai and Ras al Khaimah have their own separate judicial frameworks. The fact is that these systems are completely different to those in the west with a whole different language, which makes it worrying for those who want to conduct business in the UAE. Although these systems are different, the basic legal principles and structure are logical and understandable. (A guide to United Arab Emirates legal system 2010)

### **3.2 Distribution**

If Diter chooses to sell directly to buyers in Dubai (beauty salons, wellness clinics, dermatologists and so on), the company needs to choose the best method for shipping the machine to its destination and it has to get the necessary documentation for the trade agreement. If Diter will use an agent in Dubai, they will be the ones responsible for getting the device/devices to the end customer. Diter is still responsible for getting the devices into Dubai.

#### **Duties**

A customs tariff based on the HS nomenclature consists mainly of ad valorem duty that is calculated from the cif-value of the product. Alongside with customs clearance there are some other payments and taxes that are collected. UAE's import duties and other taxes and payments can be found in the EU Applied Tariffs Database. The UAE is a part of the Gulf Cooperation Council (GCC). Interchanging goods within a member of the union is duty free. GCC- and EFTA-countries have a free-trade agreement. (Business Finland, Lai-vauskäsikirja Arabiemiraattien liitto)

#### **Trade invoice**

A trade invoice is required for customs clearance in two pieces. Dubai customs requires a legalised original version of the trade invoice. The usual details, names of the buyer and seller, address, the home country of the product, shipping and payment terms, markings in the package/freight, numbers, quantities and qualities, gross and net weights, exact definition of the product, a six-digit HS nomenclature, unit and total prices and possible discounts and the basis for them are stated in the invoice. The invoice also needs to state the following: "We hereby declare that the mentioned merchandise is being exported on our own account. The goods are of pure Finnish origin." If the buyer also requires the

name of the manufacturer, it is stated as so: "The goods are manufactured by...". Legalising a trade invoice is clarified under legalising documents. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

### **Customs invoice/Consular invoice and packing list**

Invoice is not required and a packing list is not necessary but can help customs clearance. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

### **Certificate of origin**

All goods are required to have a certificate of origin issued by the chamber of commerce. The country of origin is recommended to be declared as follows: Finland (European Community). A clause written by the exporters is attached in the certificate of origin:

"We hereby declare that the mentioned merchandise is being exported on our own account. The goods are of pure Finnish origin." The clause should be attached in the backside of the certificate of origin. It can also be revised on the exporters own letterheads and then be attached with the certificate of origin. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

### **Movement certificate and insurance**

A movement certificate is not required and there are no restrictions concerning insurance. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

### **Transport documents**

Specific guidelines given by the officials are not known. The transport documents are revised for example based on the guidelines given by the buyer or according to a general practice. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

### **Postal packages**

EMS- and priority packages' maximum weight is 30kg. The customs manifest is included in the address card. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

## **Legalising documents**

Legalisation is required for a trade invoice and a certificate of origin. Other documents are legalised according to the terms of a letter of credit or of a request of the buyer. Legalisation is required for the original copy of the trade invoice. The requirements for the documents should be clarified with the buyer already in the beginning of a trade invoice agreement since the UAE or other GCC countries do not have representative offices in Finland. If the terms of a letter of credit or similar allow, documents can be legalised in Finland by a consulate of another Arab country. Before legalisation the documents have to be verified by the chamber of commerce. The documents can also be legalised in the UAE once they arrive there. If it is agreed with the buyer that the documents are going to be legalised in the Emirates by the Mashreq bank, a verification of a Finnish chamber of commerce is required in them. If the buyer requires legalisation of the documents by an Emirati representative office, the consulate of UAE in Stockholm can legalise the documents for shipments leaving from Finland. The consulate in Stockholm needs two extra copies of the documents for filing. The documents have to be certified first in a Finnish chamber of commerce and after that, they need to be sent to the Finnish foreign ministry to be legalised. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

## **Product specifications**

Before exporting, the exporter should find out about any special requirements for the goods so that the possible requirements based on current standards, technical requirements or other special legislation would be fulfilled. (Business Finland, Laivauskäsikirja Arabiemiraattien liitto)

## **Goods exiting Finland/EU**

Any goods exiting the EU customs territory must be presented at the place of exit in the same condition they were in when the export declaration was accepted. In road traffic transport, the export accompanying document or fall-back procedure document must be presented in addition to presenting the goods. Goods exiting Finland by sea, air or rail are presented with an electronic arrival at exit notification. In addition to this notification, the transport operator must also submit a presentation notification at exit and an exit notification. (Tulli, Goods exiting the EU)

### **3.3 Mode of operation**

Diter has two viable options to start the entry to the Dubai market area, either by starting with own export or by contracting an agent. As mentioned in chapter 2.3, in some Arab countries export may be practically impossible unless certain importers or agents are used. The UAE is one of these Arab countries. It would require a lot less time and resources for Diter to find a suitable agent than to try to enter the market with the current personnel. An assigned position for international affairs would have to be created to make own export work. This requires hiring a new person for either commencing the internationalisation activities or to replace the person taking charge of this new position. At the moment finding an agent would be the easier and cost-friendly solution for Diter. Therefore it is recommended that Diter attends a trade fair and tries to partner up with a local agent that can commence export endeavours in Dubai.

### **3.4 Diter's dermatological devices and delivery capacity**

In United Arab Emirates the Emirates Authority for Standardization and Metrology (ESMA) is the sole national standardization body. ESMA develops and adopts standards which are prepared by its technical committees at the request of the government, industry, and consumers. In general, standards are developed according to existing international and regional standards. If no international standards are available, ESMA develops its own standards. ESMA monitors the application of standards and technical regulations and runs the Emirates Conformity Assessment Scheme (ECAS). This program determines whether imports meet national or international standards for products. (International trade administration US, United Arab Emirates trade standards)

ESMA carries out a conformity assessment based on the identified scheme for a particular product upon acceptance of the application form and all the necessary documents. Assessment, testing and evaluation of a product will be conducted by ESMA or its recognized conformity assessment bodies. When the results of conformity assessment demonstrate that the relevant requirements are met, ESMA issues an ECAS certificate of conformity to the product. The ECAS certificate of conformity serves as an approval of the product and can be used by the trader in marketing their registered product. The certificate of conformity is not transferable and is valid only for the product being evaluated and manufactured in a particular facility. The registration certificate is valid for one year subject to renewal. A registered supplier can extend the registration to other types or models of products made in the same factory to the same technical regulation. In cases like this,

ESMA will decide if a product undergoes a conformity assessment or is waived for a particular model. (Emirates authority for standardization and metrology, Product registration (ECAS))

Since the machines Diter manufactures are CE-marked and comply the ISO 13485:2012 and the ISO 9001:2008 standard, the devices are suitable for the market without adaptation. If an agent is used, Diter does not have to carry out the process for the ECAS certification themselves. The instruction manuals are already in English and can be translated into Arabic.

At the moment Diter's manufacturing capacity is 10 machines per month. This capacity cannot be increased since it would require hiring more staff. Diter's delivery capacity at the moment would be anything from 2-10 machines depending on how many domestic orders they receive. This low capacity is a risk in case buyers are found fast and their deliveries contain multiple machines. That means that the buyers targeted initially should be small to medium sized business that would require maximum 3-5 machines. If there would seem to be more potential buyers than what the current delivery capacity can handle, a new person has to be hired for manufacturing.

### **3.5 Financing internationalisation**

Depending on the chosen mode of operation, the options for funding exporting into Dubai would be a business loan from a bank or applying for funding from different entities specialised in internationalisation for SME's. Diter should start their operations in Dubai by attending a trade fair of their choice in 2018, where the possible direct buyers or potential middlemen can be interacted with. For this initial process, Diter can try to get funding from the following entities:

#### **Finnvera**

Companies can apply for a loan from Finnvera in situations where they have failed to secure funding arrange financing from market-based financiers. Finnvera loans cannot be used to fund the entire project. Instead, Finnvera normally divides the risk involved among other financiers. The company can use this loan for purposes such as investing machinery, equipment or buildings, or financing working capital needs and corporate restructuring. On special grounds, financing can also be granted for a Finnish company's business operations abroad. Loans granted by Finnvera must be repaid in full and they carry a price

equivalent to the company's risk. The available securities will also affect the final price.  
(Team Finland, Financing)

Absolute guarantee by Finnvera serves as collateral which helps companies to meet their financing needs at various stages of development. Enterprises can use Finnvera's guarantees as securities credit or other contingent liability from banks, insurance companies or other lenders. Finnvera guarantees can facilitate access to financing in cases where the company's own guarantees are insufficient for securing funding. Guarantees can serve as collateral when financing investments in machinery, equipment or buildings, working capital needs and various corporate restructurings. Such guarantees can serve as counter guarantees for delivery guarantees provided by banks and, on special grounds, for financing a Finnish company's business operations abroad. A price equivalent to the company's risk is charged for Finnvera guarantees. The available securities also affect the final price.  
(Team Finland, Financing)

Insurance provided to an export company for covering the credit risks involved in export trade or guarantee to the export financier (creditor) against credit risks associated with the foreign buyer (debtor), or the buyer's bank or the country. Companies can use the export guarantee to insure receivables from a foreign buyer or its financiers against commercial and/or political risks involved in export trade. The export guarantee can also be used to improve the possibility of obtaining funding for export trade. When trading in capital goods, the export guarantee can be used when arranging funding for foreign buyers or debtors in export trade. The pricing of Finnvera export guarantees is based on risk rating reflecting the credit risk associated with the target organisation (enterprise or bank). In addition, pricing is influenced by the risk period, the risks covered and the credit rating of the buyer, debtor and target country. (Team Finland, Financing)

## **TEKES**

Tekes funding enables a company to test the functionality of a business concept on a new export market, develop the know-how needed for international growth, develop and pilot internationally successful products and services and improve the process of innovation and leadership. (Team Finland, Financing)

Tekes provides funding for small and medium-sized enterprises that are aiming at international markets or looking to expand their international business. Alongside research and development and piloting, the company can use Tekes funding to develop its know-how in

many ways. For example, a company can develop its organisation, map out demand on export markets and acquire know-how to strengthen its innovation activities. Tekes funding is a grant or a loan, a grant does not need not be repaid. Loans are unsecured and have a low interest rate. (Team Finland, Financing)

Tekes awards trade fair grants for the joint international trade fair projects of Finnish SMEs. A grant can be awarded to a group consisting of at least four Finnish SMEs participating in a major trade fair abroad in their sector. A grant may not exceed 50% of the trade fair project's approved costs, and up to 30 000 EUR for each individual company. The companies should have the wish to grow and internationalise, and they should have the prerequisites for profitable export business. A grant is only awarded for B-to-B events. In addition, the innovativeness and novelty value of the products and services to be presented at the trade fair by a participating company are considered when assessing projects. Companies receive synergy and cost benefits from working together. (Team Finland, Financing)

### **Business development aid by centres of economic development, transport and the environment**

Centres for economic development, transport and the environment grant SMEs aid for the development of their business operations. Items covered include the development of business competencies, internationalisation, the development of products, services and production methods, the preparation of projects and other major development issues. Applications can be submitted to centres for economic development, transport and the environment. This aid covers up to 50% of the project costs. Funding is targeted at projects through which the company aims to enhance its efficiency or diversify or refocus. Eligible costs include outsourced services, wage and travel costs, participation in trade fairs and exhibitions and raw material and semi-finished products acquired for product development purposes. Subsidies are paid after such measures have been implemented. It is recommended that the centre for economic development, transport and the environment is contacted while the project is still in the planning stage. (Team Finland, Financing)

### **3.6 UAE/Dubai risks**

In international trade there are rarely common laws that can support the transaction, unlike trading within a country. Established trade practises and conventions are used instead

to settle the undertakings made by the parties. It is crucial for the seller to have started with a correct risk assessment before entering a transaction. (Grath, 2014, 9)

### Political risks

Dubai is a relatively safe location to visit and to do business in. The country has a stable economy and is not in immediate risk of major political conflicts or war. The UAE as a whole is very dependent on exports as seen in the chart below. (Passport, United Arab Emirates country profile, January 2018).

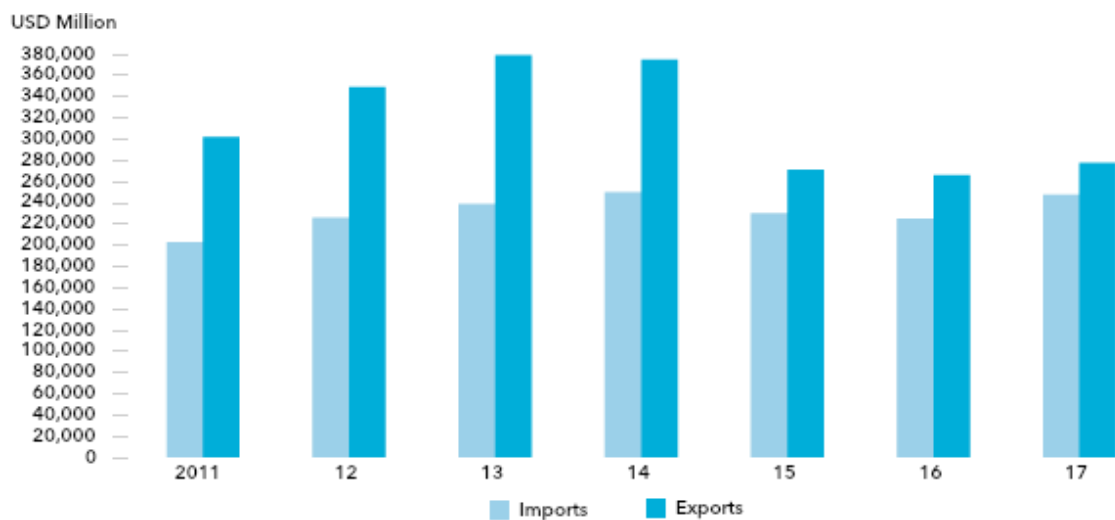


Figure 4. Total Foreign Trade: 2011-2017

Finnvera's country classification for the UAE states that at the moment, the country policy is classified as B (flexible country policy). The classification for risks is 2/7 (low risks). As stated in the political analysis in chapter 3.1, the political risks in the UAE are the general unrest in the Middle East, continuous influx of immigrants and the continued dependency on oil. (Finnvera, Country classification)

### Currency risk

Currency risk, commonly referred to as exchange-rate risk, arises from the change in price of one currency in relation to another. Investors or companies that have assets or business operations across national borders are exposed to currency risk that may create unpredictable profits and losses. Currencies have traditionally been divided into strong and weak. This view has affected the general conception of preferred trade currencies,



even though the highest preference is normally for the currency of the home country. Traditionally the USD has been the preferred third-party currency. (Grath, 2014, 27-28)

In the UAE the currency is dirhams (AED), which currently stands a rate of 1 AED – 0,22316 EUR. A strong domestic currency is a constraint for the UAE. The dirham is a stable, freely convertible currency that is pegged to the US dollar. Trade is often conducted with US dollars. Since the dirham is a quite stable currency, there should not be a great concern on currency risk affecting Diter's transactions with the buyers in Dubai. The fluctuations in currency rates can influence the amount of profit after the agent's fee is discounted.

### **Financial risk**

Every international trade transaction contains an element of financial risk. Purchasing, production and shipment all affect the financial aspect of the transaction. This forces the seller to determine how alternative terms of payment would affect liquidity during the transaction's different phases until payment is made. Financial risks are connected to the structure of the terms of payment. Risk will automatically be reduced, the timing of the payments will be more accurate and the liquidity aspect of the transaction better assessed, the safer the terms can be made. (Grath, 2014, 29-30)

To avoid the financial risks in dealing with a foreign buyer, the terms of payment for Diter should be either cash in advance before delivery or a documentary letter of credit. A letter of credit-guarantee protects a bank from commercial and/or political and/or sovereign risks related to a confirmed letter of credit. The confirming bank applies for the guarantee, which is available also when the letter of credit is confirmed without the issuing bank's authorization or request. Two alternative guarantee schemes are available, normal coverage and risk sharing. Under the normal coverage scheme, the coverage can be up to 95% for commercial risks and 100% for political risks. Under the risk-sharing scheme, the maximum coverage for commercial, political and sovereign risks is 50%. In this case, the bank must assume a percentage of the risk determined by Finnvera, which is at least 15%. The bank may share the rest of its self-risk portion with other risk-takers. In the normal coverage scheme, the premium is based on Finnvera's risk assessment. In the risk-sharing scheme, the premium is based directly on the confirmation fee charged by the confirming bank. (Finnvera, Letter of credit guarantee)

### **3.7 Product and pricing strategy**

Diter produces many different types of dermatological devices. In Finland certain devices are more popular than others, which have varied throughout the years. At the moment the combination treatment machines are very popular, since they allow the user to provide multiple treatments from a single unit. These models cost more than the units with one treatment form. Since Diter offers a wide catalogue of devices (full dermatological device catalogue shown in appendix 2), it would be wise to enter the market with the full range considering it is not yet known what type of devices command the most interest. Attending a trade fair with the full catalogue of products is not viable and therefore a few machines should be selected to be introduced first. Best-selling machines would be a safe choice.

The price of the machines has been calculated carefully for the domestic market so that the standard price leaves a healthy profit margin and there is room for discounting the price when needed. Since there are many competitors in the Dubai market area, pricing needs to be thought out well but cannot be the key factor in trying to enter the market. The products Diter manufactures are of high quality and in some cases unique. They are made in Finland and have been manufactured successfully for decades. These aspects should give Diter a competitive edge in the Dubai market since many competitors are Asian companies that compete with price. Diter can maintain a medium to high price level since there is a basis for the higher price. If an agent is used, it will provide valuable insight on the appropriate pricing of the products. Also attending a trade fair will give a good understanding of the competitors' products and prices.

### **3.8 Marketing strategy**

Deciding on a marketing strategy depends on the chosen operation mode. If Diter decides to commence operations by own export, the key factor on deciding on marketing strategy will be the budget. Since it is not possible for the company to invest a lot into marketing or to hire a person to do direct marketing in Dubai, the viable options on marketing are to use social media or direct marketing by email.

Email marketing would require access to a contact database of beauty salons, spas and clinics and the databases offered online might not be valid or reliable. Another way is to dedicate working hours of an employee to conduct market research and to collect a database of contacts from internet. This will likely take a long time and might not be worth the time invested, since the collected contacts might not be that of desired clients.

Besides direct marketing, social media marketing is relatively cost free. The problem arises from the difficulty of determining the viable channels that would reach the clients. In Diter's case the clients are the establishments and not the end customers. This further limits the reach of social media channels regarding the desired target group. Nonetheless visibility in social media is a big benefit in trying to attract companies to want to acquire the machines that can provide quality dermatological treatments for consumers. Social media marketing in the UAE is looked into next.

### **Social media marketing**

Consumers are becoming more knowledgeable in the UAE due to them reaching the next level of social media, for example blogging and vlogging. It has become standard for brands to be present through social media sites such as Facebook, Twitter and Instagram as strategies to succeed in the region. However, blogging has become immensely important too. Bloggers are becoming essential regarding increasing awareness about targeted brands. (TradeArabia, UAE per capita spend on beauty hits \$239 in 2016, July 2017)

The UAE has become one of the most well-known countries in the Arab world regarding social media usage. Many teens, young adults and older adults are now frequently visiting blogs and video tutorials to find out about products and how to use them correctly before purchasing them. Therefore there is a surge of brands using grassroots marketing techniques to showcase their products to consumers. (TradeArabia, UAE per capita spend on beauty hits \$239 in 2016, July 2017)

Locals as well as expats continue to remain very active through these social media channels and access them for information on global products, as well for reviews and fashion trends. They also rely heavily on social media channels for the latest beauty and personal care trends. There are some influential social media bloggers, such as Huda Kattan, Nilo Haq and Marriam Mossalli amongst others, who are driving beauty trends in the country given their long list of followers. (TradeArabia, UAE per capita spend on beauty hits \$239 in 2016, July 2017)

A better option for Diter is to participate in one or more of the trade fairs and conferences for beauty and wellness companies that are being held in Dubai in 2018. Diter can choose to participate as an exhibitor and get good exposure for the products and find buyers,

or to focus on finding a middleman in the target market (most likely an agent). For participating in trade fairs as an exhibitor, Diter can apply for funding (chapter 3.2).

## **Trade fairs and conferences**

### **Beautyworld Middle East**

Beautyworld Middle East 2017, which took place at the Dubai International Convention and Exhibition Centre, attracted 42 012 visitors from 135 countries, and featured 1580 exhibitors from 60 countries. Spanning 55 000 m<sup>2</sup>, the three-day event increased 11,5% in size and 13% growth in visitors. Spa and salon professionals, hairstylists, makeup artists, importers and exporters look for inspiration and the latest products displayed by the biggest brands in the global beauty business. The 23rd edition of Beautyworld Middle East takes place from 8<sup>th</sup> to 10<sup>th</sup> May 2018 in Dubai World trade centre. (TradeArabia, UAE per capita spend on beauty hits \$239 in 2016, July 2017)

### **Professional Beauty GCC**

Professional Beauty GCC is a two-day event being held from 5<sup>th</sup> to 6<sup>th</sup> February 2018 at the Meydan in Dubai. This event showcases a wide range (200 + brands) of various beauty, hair and spa-based products and services. There were 4295 professional visitors in 2017. 59 exhibitors registered for 2018. Free entry if pre-registered online. (Professional beauty GCC 2018)

### **Dubai Derma**

Dubai Derma 2018 will take place on 19<sup>th</sup> to 21<sup>st</sup> of March 2018 at the Dubai International Convention & Exhibition Centre. Dubai Derma 2018 gives a platform for medical, health care, dermatology, skin health, anti-aging and anti-aging medicine. Dubai Derma 2018 is organized annually. The meeting provides an educational experience and an opportunity to network with primary minds in the field, as well as an international community of around 12 500 medical and dermatology professionals from every subspecialty. The professional congress organizer of the Dubai Derma 2018, 18<sup>th</sup> Dubai World Dermatology and Laser Conference & Exhibition is INDEX Conference & Exhibition. (Dubai Derma 2018)

### **World spa and wellness convention**

This convention is a conference for professionals and attending are over 200 spa owners, directors, managers and 30 international and local speakers. Showcased are top spa brands from across the GCC. The convention is held in the Meydan in Dubai on the 5<sup>th</sup>-6<sup>th</sup>

of February 2018. Two-day delegate pass package is 340 US dollars. (World spa and wellness convention 2018)

### Arab Health

Arab Health is the largest gathering of healthcare and trade professionals in the MENA (Middle East and North Africa) region. The 2018 edition of the event is expected to welcome more than 4200 exhibiting companies and 103 000 attendees from over 150 countries. Accompanying the exhibition will be 19 business, leadership and continuing medical education (CME) conferences providing the very latest updates and insights into cutting edge procedures, techniques and skills. Arab Health 2018 will take place from 29<sup>th</sup> of January to 1<sup>st</sup> of February 2018. The exhibition is free to visit if you register before the show. In 2017 there were 4072 exhibitors, 40 country pavilions, 68 exhibiting countries, 96 925 visitors and 102 666 total participants. (Arab Health 2018)

### 3.9 SWOT analysis

Table 4. SWOT-analysis for Diter in the Dubai market area

<b>Strengths</b> <ul style="list-style-type: none"> <li>• High quality products</li> <li>• Certification for products</li> <li>• Diversity in product offering</li> <li>• Some experience in international sales</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Small manufacturer (capacity)</li> <li>• Financing export</li> <li>• Difficulty to stand out in a competitive market area</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Contracting agents to other emirates</li> <li>• Increase in international trade in the UAE with imports growing steadily</li> <li>• Gateway to 1.5 billion Middle Eastern and African markets</li> <li>• Growing focus on health tourism in Dubai will create a growing demand for wellness treatments</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Political situation in the Middle East</li> <li>• Strong competition from Asia</li> <li>• Currency risk</li> <li>• Financial risk with a buyer</li> <li>• Conflict with agent</li> </ul>

### 3.10 Internationalisation plan

The objective of the thesis was to produce an internationalisation plan based on a theoretical framework and the realities of Diter's current situation and the near future. The process began by gathering source material that was as valid and current as possible. Since

internationalisation and globalisation are vast subjects and ever evolving, the need for relevant and specific material was of the essence. Many sources could only be found online since the information necessary to form an internationalisation plan is rarely put between covers because the information changes yearly, even monthly. The contents of the thesis and the production became more defined during the creation of the framework. After finding suitable source material, the theoretical framework was constructed, and it gave the frame for the internationalisation plan. The plan relies on practical application rather than the theoretical framework. Therefore the information relevant to the process of exporting to Dubai was the focus of the source material.

The original thesis plan was drafted following the first meeting with the thesis coordinator. The objective was to create an internationalisation plan on the request of a company to suit its intentions. The plan was requested to be applicable in practice, simple and clear. The time frame for making the thesis was originally five months. The date for submitting the thesis was set for the beginning of December 2017. First the information for the theoretical framework and the market area itself was scouted out in the beginning of the process. Then the outlines of the contents of the internationalisation plan were set. Unforeseen external factors stalled the process, so the submission date was moved to the beginning of 2018. The first draft was created in the beginning of January 2018 and the final version was created in February of the same year.

The internationalisation plan begins by looking into the Dubai market area. The information is mostly taken from chapter 3.1 and in addition chapters 3.6 and 3.9 of the thesis. Following is the subject of exporting into Dubai. The information is taken from chapters 3.3 and 3.7. Information concerning agents is gathered from chapters 2.4, 3.4, 3.7 and 3.8 and the information on own export is from chapters 2.4, 3.4, 3.5, 3.6 and 3.9. The subject of trade fairs and conventions is put together from chapters 2.5, 3.7 and 3.8.

The schedule for the actual internationalisation process for Diter is set to start in 2018 and to continue to 2019. The person responsible for making decisions on commencing internationalisation should first consult the internationalisation plan and then make decisions that they find to suit the company the best. Then it is recommended that the company should attend one of the trade fairs mentioned in chapter 3.7 and to start the process from there. The internationalisation plan can be found in appendices (appendix 1).

## **4 Reflection**

The assignment for the thesis came straight from a real life need of a Finnish SME to get some insight in exporting to Dubai. The subject is very interesting for myself as well, since I lived and worked in Dubai and know the area. The purpose for the plan was to consider different options for exporting from the point of view of a small business and to devise a plan that would be as realistic and simple as possible. The point was to make recommendations based on the current situation of the company and target market. These were the guide lines I followed while making this thesis. It is vital for a company to have a concrete plan to proceed in any project, which became clear when Diter visited the Arab Health fair twice without a solid strategy on what they were looking for and what the focus was. Therefore it was decided that before pursuing matters further a plan needed to be devised in order to possibly enter this market area.

### **4.1 Evaluation of plan**

Since the assignment was to make a plan that was relevant, realistic and considered the situation of the company, the actual plan was to be as simple as possible and to only contain the essential information and deductions based on the research made. The market area analysis is done thoroughly with current information that was readily available thanks to the databases that Haaga-Helia has access to. Having a good understanding on how business is conducted in a country that is culturally and geographically very different from Finland, was vital to make a valid entry strategy. The information in this thesis consists of a theory framework focusing solely on SME's and a research on internationalisation made based on the company's wishes. This means that this thesis is produced directly for the company and not to be considered a general internationalisation strategy that should be applied for similar situations or to be used as a basis for other similar cases. This internationalisation plan was made by request of Diter and it follows the guide lines set by the assigning company.

### **4.2 Suggestions for future development**

This internationalisation plan is set to start the internationalisation process in 2018 and to continue on to 2019. This means that it does not consider the possibilities for growth in that market area for a period of more than two years. It also does not go deeper into the different means of distribution or operation modes possible in the Dubai market area. For future research it is recommended that these aspects are looked into more carefully and

that other emirates such as Abu Dhabi, or neighbouring countries in the region are included. As it was mentioned, the UAE acts as a re-export hub and therefore can be a gateway for the whole MENA region. Especially the trade fairs in the UAE gather visitors from the Middle East, Asia and Africa alike. This gives many possibilities for a small company to gain visibility for different market areas that it could not easily have access to. It also enables the company to be able to afford to be visible to many market areas instead of it having to visit them separately.

### **4.3 Learning experience**

This thesis process was a welcome introduction to the realities that a small company faces when planning international endeavours. The decisions on strategy need to be realistic and current and it seems that a long-term strategy can be very difficult to make for a SME, especially in a new market area.

Finding the time to work on the thesis was challenging since I work full time. I was not able to complete this project in the time that I had initially set for it. Luckily I was able to find the necessary time on my holiday so that I could form the basis for the thesis. In the end I was able to finish the project in little over two months which was very fortunate, so the internationalisation process can start taking form as soon as possible.

The making of this thesis was a great opportunity for me to have a real-life experience in conducting market research and to devise a plan as I would if I was doing it as a part of my job description. Since my own job description will change in the near future to include international sales, this was a project I welcomed with great enthusiasm and interest.



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## **Appendices**

Appendix 1. Internationalisation plan



## INTERNATIONALISATION PLAN FOR DUBAI

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Damiana Hollmérus  
February 2018



## Dubai market area

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- Dubai is a relatively safe location to visit and to do business in
- The country has a stable economy and is not in immediate risk of major political conflicts or war
- The UAE is regarded as having one of the most liberal business environments in the Middle-East
- The UAE acts as a re-export hub for other countries in the region
- The UAE as a whole is very dependent on exports

- Dirham is a quite stable currency, there should not be a currency risk
- Trade is often conducted in US dollars



- The standard of living in the UAE is one of the highest in the world
- The wealth that this country possesses allows it to purchase new equipment and be in the forefront of technological assimilation
- In 2017 population was 9,1 million people and median age estimated to be 33,4 years
- Foreign citizens make up around 80% of total population



- Strong business relationships (known as the Wasta system) are crucial
- It is vital that foreign visitors respect religious and social customs as well as legal requirements
- It is essential to protect your reputation at all costs
- Establishing solid relationships with customers in Dubai is vital since one deal tends to lead to another
- Face to face meetings are important when doing business and are viewed as much more respectful and personal than phone calls and emails

<b>Strengths</b> <ul style="list-style-type: none"> <li>• High quality products</li> <li>• Certification for products</li> <li>• Diversity in product offering</li> <li>• Some experience in international sales</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Small manufacturer (capacity)</li> <li>• Financing export</li> <li>• Difficulty to stand out in a competitive market area</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Contracting agents to other emirates</li> <li>• Increase in international trade in the UAE with imports growing steadily</li> <li>• Gateway to 1.5 billion Middle-Eastern and African markets</li> <li>• Growing focus on health tourism in Dubai will create a growing demand for wellness treatments</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Political situation in the Middle-East</li> <li>• Strong competition from Asia</li> <li>• Currency risk</li> <li>• Financial risk with a buyer</li> <li>• Conflict with agent</li> </ul>



# Exporting to Dubai

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- The buyers targeted initially should be small to medium sized businesses because of low delivery capacity
  - It would be wise to enter the market with the full range of devices considering it is not yet known what type of machines would succeed in Dubai
  - A medium to high price level can be maintained since there is a basis for the higher price and it would signal high quality
- 


## Agent

- In some Arab countries export may be practically impossible unless certain importers or agents are used and paid a commission for the services provided
- Agents are familiar with the local markets, customs, conventions and distribution networks
- A good agent should have a complete sales organisation and a network of customers
- An agent is an affordable middleman since they live on commissions generated by the sales that will not tie up the exporters resources


- The basis of paying commission should be clear for both parties right from the beginning of the contract
- Since agents usually have a lot of freedom in their jobs, a background check should be done thoroughly before entering into a contract



## Benefits for using an agent

- An agent will provide valuable insight on the appropriate pricing of the products
  - Diter does not have to carry out the process for the ECAS certification for the devices
  - An agent will handle marketing (provided they are given marketing material) and customer contacting
  - An agent does not tie up Diter's resources
- 

## Own export


- The exporter takes care of all the exporting activities in the home country and the target country alike, and also often covers transportation and customs clearance
  - The challenges for this method of exporting are having to have a permanent presence in the target market which can be very costly due to having personnel only concentrating in international operations
  - For own export to be successful, a good knowledge of the target market and marketing as well as command of export techniques and personnel with export skills is a must
- 

- The terms of payment should be either cash in advance before delivery or a documentary letter of credit
- Funding for internationalisation can be applied for from Finnvera, TEKES and centres of economic development, transport and the environment
- Options for marketing are to use social media or direct marketing by email
- The instruction manuals and existing marketing material (brochures etc.) should be translated into Arabic and be provided in English and Arabic




## Trade fairs and conferences

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- Trade fairs are a good way to find middlemen and distribution chains in the target country
  - Participating in a trade fair gives the exporter a cross-sectional view of the products available in the market, the participants in the market and the direction the market is heading to
  - Trade fairs can also be considered as a method of market research
- 

- Diter can choose to participate as an exhibitor to get good exposure for the products and to find buyers or to focus on finding an agent
  - Attending a trade fair with the full catalogue of products is not financially possible and therefore a few machines should be selected to be introduced first
  - Best-selling machines would be a safe choice
- 

## Beautyworld Middle East



- Visitors from 135 countries
- 1580 exhibitors from 60 countries
- Targeted at spa and salon professionals, hairstylists, makeup artists, importers and exporters
- Held from the 8-10 May 2018 in Dubai World trade centre

## Professional Beauty GCC



- The event showcases a wide range (200 + brands) of various beauty, hair and spa-based products and services
- There were 4,295 professional visitors in 2017
- 59 exhibitors registered for 2018
- Free entry if pre-registered online
- Held yearly in Dubai

- The largest gathering of healthcare and trade professionals in the MENA region
- The event is expected to welcome more than 4200 exhibiting companies and 103000 attendees from over 150 countries
- Accompanying the exhibition will be 19 business, leadership and continuing medical education (CME) conferences
- The exhibition is free to visit if you register before the show



## Dubai Derma conference



- Gives a platform for medical, health care, dermatology, skin health, anti-aging and anti-aging medicine professionals
- International community of around 12500 medical and dermatology professionals from every subspecialty
- The professional congress organizer of the Dubai Derma 2018, 18th Dubai World Dermatology and Laser Conference & Exhibition is INDEX Conference & Exhibition
- Held from the 19-21 of March 2018 at the Dubai International Convention & Exhibition Centre Dubai



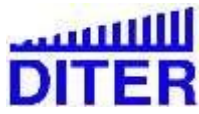
## World spa and wellness convention



- A conference for professionals, attending are over 200 spa owners, directors, managers and 30 international and local speakers
- Showcased are top spa brands from across the GCC
- Held yearly in Dubai
- Two-day delegate pass package is 340 US dollars







PHYSIOTHERAPY & BEAUTY EQUIPMENT

## Ditelle device catalogue

### Ditelle Ultra

*Ultrasound treatment machine for facials.*

### Ditelle 100

*3-frequency ultrasound treatment machine.*

### Ditelle 900

*Combination treatment machine that includes a versatile electrotherapy machine and a 3-frequency ultrasound treatment machine with two treatment heads.*

### Ditelle 700

*Stimulation current treatment machine that has a versatile of treatments. For face and body treatments, muscle toning and fat burning.*

### DitLaser

*Laser treatment machine for cosmetic laser therapy. Used for treatment for cellulite, wrinkles and fine lines, acne, scars and skin infections. Enables also bioenergy point stimulation.*

### Ditelle Diamond

*Diamond peeling machine.*

### Ditelle UPI

*Ultrasound cleansing and iontophoresis treatment machine with pumping system for cleansing liquid.*

### Ditelle UPIi

*Ultrasound cleansing and iontophoresis treatment machine.*

### Ditelle Bene

*2-channel electro lymphatic treatment machine.*

### Ditelle Vac

*Vacuum pressure treatment machine for face and body. Includes three different sized treatment heads.*

### Ditelle Ionto

*Iontophoresis treatment machine for skin absorption treatments and excessive perspiration treatments.*

## Ditelle Eve

*Pigmentation machine. (Price does not include pigments).*

## Ditelle 9 in

*Combination treatment machine that includes diamond peeling and versatile electrotherapy treatments such as electroporation and stimulation current.*

## Ditelle Cav

*Cavitation, radiofrequency, ultrasound and electrotherapy treatment machine. Treatments include muscle toning, fat burning and multiple facial treatments. Galvanic and iontophoresis treatments included.*

## Ditelle C

*Cavitation treatment machine.*

## Ditelle Cu

*Cavitation and ultrasound treatment machine.*

## Ditelle RF

*Radiofrequency treatment machine.*

## Ditelle CRF

*Cavitation and radiofrequency treatment machine.*

## Ditelle CRFU

*Cavitation, radiofrequency and ultrasound treatment machine.*